Series on organisational strategic planning & execution[1]

Stage 3: Augment and consolidate strategic initiatives[2]

By Alan Stretton

INTRODUCTION

This is the third of a series of five articles on organisational strategic planning and execution. I have been using the following basic strategic management framework developed from earlier articles in this journal as the common base for this series. (The summarised materials for Stages 3 and 4 in Figure 1 have been slightly amended from those shown in the first two articles of the series).

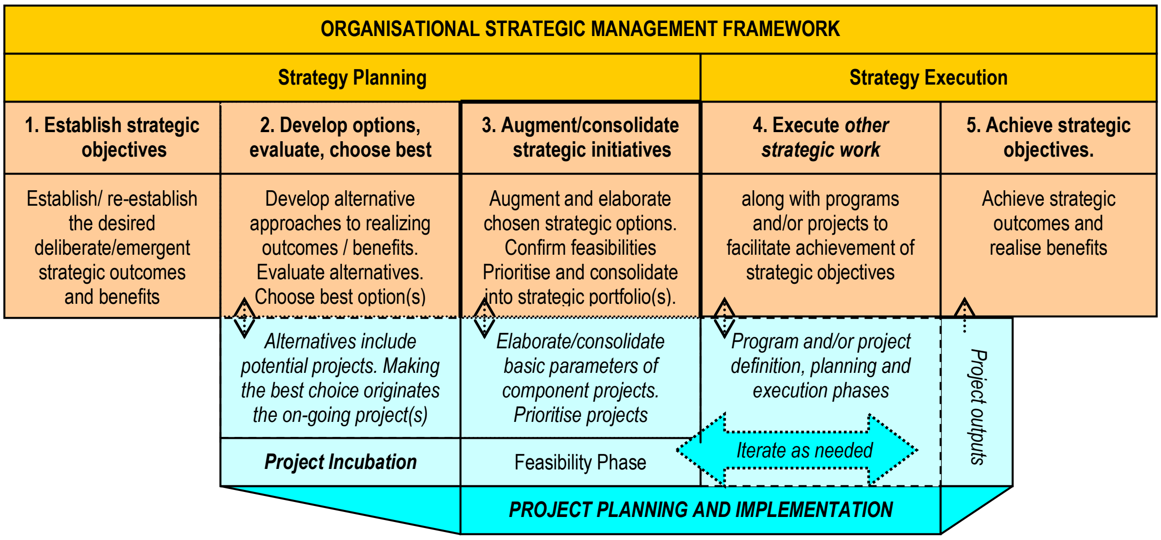

Figure 1: An organisational strategic management framework, with project contributions

The first article in this series (Stretton 2018d) addressed *Stage 1: Establish strategic objectives*, and discussed the extensive preliminary work needed before strategic objectives can be reasonably established; the importance of "emergent" strategies; and the need to re-establish strategic objectives as the latter come into play.

The second article (Stretton 2018e) addressed *Stage 2: Develop options, evaluate, and choose the best*. It focused on the importance of developing alternative strategic initiatives, and of achieving reliable conceptual level estimates, to facilitate valid evaluation of the 'outline' business cases for these initiatives, and choice of the best.

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[1] This is article three in a five-part series on strategic planning by Alan Stretton, one of the world's experts in program and project management. This series is based on Alan's research and writing on this topic over the last several years, much of which has been published in previous editions of the *PM World Journal*.

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This third article addresses *Stage 3: Augment and consolidate strategic initiatives.* The *augment* part of this heading is shorthand for first augmenting and elaborating the chosen strategic initiatives into sufficient detail to be able to expand the relevant 'outline' business cases from Stage 2 into detailed business cases with appropriate levels of confidence about the underlying estimates. The latter are generally associated with bottom-up estimating, which is more detailed and reliable than the top-down estimating typically used for conceptual estimated in Stage 2. For strategic initiatives with softer projects whose parameters cannot be so well defined at this stage, I have provided for iterations with the double-headed arrow in Figure 1

The feasibilities of these strategic initiatives and their business cases can then be re-checked and confirmed, and formal approval given to proceed to the next step.

The *consolidate* part of the Stage 3 heading is shorthand for prioritising and balancing the group of strategic initiatives, and then consolidating them into a strategic portfolio (or portfolios), to facilitate effective strategy execution. We will also discuss three different understandings in the literature about the scope of management of strategic portfolios, and touch on responsibilities for managing them.

AUGMENT AND ELABORATE THE CHOSEN STRATEGIC INITIATIVES

> *[A strategic initiative is] 'a project, portfolio of projects, other discrete programme or series of actions undertaken to implement or continue the execution of a strategy, or that is otherwise essential for the successful implementation or execution of a strategy'.*
> *(Cooke-Davies 2016:259)*

As implied in this quotation, strategic initiatives generally comprise two components, namely programs/projects, and *other strategic work* (e.g. Cooke-Davies' *series of actions*). Earlier stages of *other strategic work* are not well covered in the project management literature. However, there are some relevant materials which more particularly relate to the strategy execution stage, and we will discuss these in the next article of this series. In the meantime, we focus more on the program/project components of the strategic initiatives, which are quite well covered in the literature.

We first look into augmenting and elaborating the chosen strategic initiatives, and their business cases.

Elaborate 'outline' business cases from Stage 2 into detailed business cases

The chosen strategic initiatives are first augmented and elaborated to a level of detail which permits much more accurate estimating than was possible with the conceptual estimates in Stage 2. In that stage, the choice of strategic initiatives to be further developed had been facilitated by having 'outline' business cases attached to each option. In Stage 3 we effectively augment and elaborate the 'outline' business cases for the chosen initiatives into much more detailed business cases. We now look briefly at what the project management literature has had to say about business cases.

The nature of business cases

There are quite substantial materials on business cases in the project management literature, but there are also some differences in the details regarded as most relevant to business cases. In the following I will draw mainly on materials in the APM Body of Knowledge (APM 2012).

APM 2012 defines the business case as follows.

> The business case provides justification for undertaking a project or programme. It evaluates the benefit, cost and risk of alternative options and provides a rationale for the preferred solution.

APM 2012 goes on to say

> In the concept phase of the life cycle an outline business case is prepared that is then used by senior management to assess whether to give the go-ahead for the definition phase. The detailed business case is prepared during the latter phase.

APM's *concept phase* broadly aligns with Stage 2 in Figure 1, which includes preparation of 'outline' business cases for each strategic option. It can be seen that APM's definition of the business case also specifically includes the evaluation of alternative options. The chosen option is then assessed by senior management for a go/no-go decision.

APM's *definition phase* corresponds with our Stage 3. Dalcher 2016 has described the preparation of the detailed business case as follows.

> The document is developed iteratively through a process of progressive elaboration adding and refining details as information becomes available and the required level of accuracy is achieved.

APM 2012 says that a business case typically includes the following:

- strategic case – the background of the project or programme, and why it is needed;
- options appraisal – what options have been considered and which has been chosen (not forgetting the 'do nothing' option);
- expected benefits – the benefits that will arise from the work and any unavoidable disbenefits
- commercial aspects – the costs, investment appraisals, and funding arrangements;
- risk – the major risks and their impact on the business case;
- timescales – a summary of the delivery of outputs and realisation of benefits.

The detailed business cases confirm (or otherwise) the feasibilities of the chosen strategic initiatives. Finally, APM notes that, "once approved, the business case must be kept up to date, reflecting approved changes".

Involving project management in developing detailed business cases?

In the second article of this series, I made a case strongly in favour of involving project management in the earliest order-of-magnitude estimates on projects that normally constitute a major part of the 'outline' business cases developed in Stage 2. In my experience this happens as a matter of course in project-based organisations. But evidently it all too seldom happens in production-based organisations.

The case in favour of involving project management in subsequently developing the detailed business cases for the chosen approaches is even more compelling, but we still appear to have a long way to go in convincing many senior general managers to adopt it. I have discussed early project management involvement in several articles in the past, most recently in Stretton 2018b.

RECHECK AND CONFIRM FEASIBILITIES OF THE STRATEGIC INITIATIVES

As noted in the previous article of this series, conceptual level estimates made in Stage 2 are generally parametric, or top-down estimates, which broadly rely on interpreting historical cost data in the context of the particularities of the current project. As also noted, it can be difficult to find people with high levels of skill in developing conceptual level estimates, which can therefore often be somewhat unreliable. The 'outline' business cases developed in Stage 2, and feasibility studies based on them, may therefore be correspondingly open to question.

In Stage 3, *augmenting and elaborating the chosen strategic initiatives* involves developing sufficient detail about their component projects to undertake bottom-up estimates. These typically involve using a work breakdown structure (WBS) to identify work packages and/or activities whose costs, time, resources, etc can then be estimated in a much more definitive way. The more detailed business cases can therefore be developed with relatively high levels of confidence. For strategic initiatives with softer projects whose parameters cannot be so well defined at this stage, I have provided for iterations with the double-headed arrow in Figure 1.

The feasibility of the chosen strategic initiatives can then be checked, and confirmed (or denied), with much higher levels of confidence than was possible in Stage 2. This critically important activity must be undertaken, confirmed, and approved at the appropriate senior management level, before any further work is undertaken.

PRIORITISE AND CONSOLIDATE INTO STRATEGIC PORTFOLIO(S)

Prioritising, balancing, and consolidating the strategic initiatives into strategic portfolios.

In the broader strategic context we are generally talking about several to many strategic initiatives to be managed. Together these constitute a strategic portfolio. Consolidating these initiatives into a strategic portfolio (or portfolios) needs substantial planning attention, including prioritising and balancing, if the strategic portfolios are to provide an effective base for strategy execution.

Regarding prioritising, with large strategic portfolios this could involve ranking them into various categories, such as investment time-frame (short, medium, long-term), organisational focus (external, internal), strategic intent (growth or cost saving), etc, in order to determine which components get the highest priority. The prioritised list then needs to be balanced. Portfolio balancing is particularly concerned with optimising the use of such resources as financial, physical assets and people, to help maximise their effectiveness across the entire portfolio.

We now look briefly at a couple of other attributes of strategic portfolios and their management which emerge from the literature.

Three different perceptions of the scope of portfolios and their management

There is little material in the project management literature which specifically discusses *strategic* portfolio management per se. However, there are substantial materials on portfolio management, in the contexts of both program and project management. In these more restricted contexts, there are three different perceptions of the scope of portfolio management in the project management literature.

I will briefly discuss these, for two reasons. One is to alert readers to the possibility of misinterpreting what some people mean by portfolio management. The other is to clarify my position in this context.

In the project context, some writers, including Smit 2017, describe management of a number or programs/projects as *portfolio management*, whilst quite a few other authors describe it simply as *project portfolio management*, commonly abbreviated to *PPM*. *Portfolio management* or *PPM* is seen by different authors as covering varying ranges of responsibility, from quite narrow to very broad.

These three different perceptions of the scope of portfolio management are now discussed.

Main focus on selecting projects

Cabanis-Brewin & Pennypacker 2014 say that,

> One goal of portfolio management is to maximize the value of the portfolio by careful examination of candidate projects for inclusion in the portfolio and the timely exclusion of projects not meeting the portfolio's strategic objectives.

Srivannaboon 2006 also focuses on selection, but adds a prioritising component:

> The organization's choice of business strategy is what drives its PPM process, the major purposes of which are to select and prioritize projects.

Rightly or wrongly, I tend to relate this relatively narrow perspective on the range of portfolio management responsibility with a passive perspective in relation to strategy execution processes – i.e. where the portfolio has limited, if any, subsequent active part in on-going strategic management activities.

We move on to a broader perception of the scope of portfolio management.

Substantial portfolio planning responsibilities added

Smit 2017 lists the following activities which he associates with *portfolio definition*, whose order I have slightly changed.

- Assess and select portfolio components
- Prioritise components
- Balance, optimise and maintain the portfolio
- Develop portfolio roadmap, governance management plan, change management plan, performance and benefits management plan, financial management plan, resource management plan, stakeholders & communication management plan, risk management plan, integrated portfolio management plan
- Authorise portfolio and changes
- Create portfolio delivery plan

Although not stated directly, an implication of this approach could be that portfolio management is also likely to be involved subsequently with strategy execution, either in a monitoring role, or perhaps even a more active management role, as now discussed.

Subsequent execution responsibilities also added

Kendall 2014 adds a further three responsibilities after *authorisation,* which extends his understanding of portfolio management responsibilities well into the *strategy execution* zone, as follows.

> Project Portfolio Management (PPM) is a set of processes to analyse, recommend, authorize, activate, accelerate, and monitor projects to meet organizational improvement goals.

Smit 2017 lists the following elements and activities under the heading Portfolio delivery:

- Activate portfolio components
- Manage portfolio changes
- Manage portfolio performance and benefits
- Manage portfolio finances
- Manage portfolio resources
- Manage portfolio stakeholders and communications
- Manage portfolio risks
- Provide portfolio oversight (i.e. management control)
- Report portfolio performance
- Transfer benefits and allocate benefits accountability
- Perform portfolio governance reviews

PMI 2017b – *The Standard for Portfolio Management* – also extends the range of responsibilities into the strategy execution zone, in a somewhat similar way to Smit, but with more detail on such matters as portfolio governance, capacity and capability management, stakeholder engagement, value management and risk management.

As a writer who tries to discuss project management contributions to achieving broader ends, I also tend to prefer depicting portfolio management in this broadest context, particularly because it provides a mechanism to ensure that *other strategic work* is properly managed, and is integrated with ongoing program/project work.

However, which of the three perceptions is actually adopted in practice will depend very much on the organisation itself, the nature of the particular strategic initiatives, and other associated factors. My intention with the above has been mainly to point out that these different perceptions do exist, and to summarise them.

Responsibilities for managing strategic portfolios?

There is evidently no simple answer to this question, particularly in light of these different interpretations of the scope of strategic portfolios.

In my experience in project-based organisations, a senior project or program manager would be given the responsibility for managing strategic portfolios.

I have had no direct experience in this area in production-based organisations, but colleagues who have had such experience have suggested that portfolios are generally regarded as being the property of senior general management, and not an area for project management involvement. A consequence of this is a tendency to "throw the projects over the wall" to be dealt with by project specialists.

In this situation it is unclear who is actually responsible for managing the strategic portfolio, let alone who is to be finally held accountable for achieving the strategic objectives. This is yet another example of the types of problems that tend to be associated with execution-only perceptions of the role of projects and their management.

As noted above, I prefer to depict portfolio management as including strategy execution, particularly because it then provides a mechanism to help ensure that the *other strategic work* component of strategic initiatives is also properly managed.

Early in this article, we briefly noted that strategic initiatives comprise both programs/ projects and *other strategic work.* Earlier stages of the latter are not well covered in the project management literature. However, there are some relevant materials on the strategy execution stage, and I propose to discuss various aspects of the management of *other strategic work* in this context in the next article of this series.

SUMMARY

In discussing Stage 3: *Augment and consolidate strategic initiatives,* I first discussed augmenting and elaborating the chosen strategic initiatives in the context of extending the 'outline' business cases developed in Stage 2 for these initiatives into detailed business cases. We then discussed the nature of business cases, and the desirability of involving project management in the estimating processes, particularly for the program/project components – which all too often does not happen.

We went on to emphasise the need to recheck and confirm (or deny) the feasibilities of each of the strategic initiatives. This typically involves developing sufficient detail about the component projects to undertake "bottom-up" estimates, which are much more reliable than the conceptual "top-down" estimates developed in Stage 2. For strategic initiatives with softer projects whose parameters cannot be so well defined, I notionally provided for iterations with the double-headed arrow in Figure 1.

We then briefly discussed prioritising and balancing the strategic initiatives, which are then consolidated into a strategic portfolio, or portfolios. We moved on to discuss three different perspectives of the scope of portfolio management which appear in the project management literature. This was partly to alert readers to the possibility of misinterpreting what some people mean by portfolio management. It also reflects my perspective that portfolios should include strategy execution, thus providing a means of helping ensure that the execution of *other strategic work* is properly managed. I will cover this in more detail in the next article of this series.

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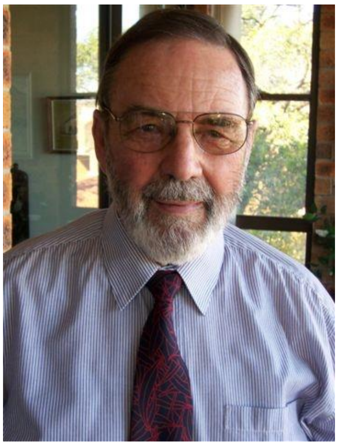
About the Author



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Alan Stretton is one of the pioneers of modern project management. He is currently a member of the Faculty Corps for the University of Management & Technology (UMT), USA. In 2006 he retired from a position as Adjunct Professor of Project Management in the Faculty of Design, Architecture and Building at the University of Technology, Sydney (UTS), Australia, which he joined in 1988 to develop and deliver a Master of Project Management program. Prior to joining UTS, Mr. Stretton worked in the building and construction industries in Australia, New Zealand and the USA for some 38 years, which included the project management of construction, R&D, introduction of information and control systems, internal management education programs and organizational change projects. He has degrees in Civil Engineering (BE, Tasmania) and Mathematics (MA, Oxford), and an honorary PhD in strategy, programme and project management (ESC, Lille, France). Alan was Chairman of the Standards (PMBOK) Committee of the Project Management Institute (PMI®) from late 1989 to early 1992. He held a similar position with the Australian Institute of Project Management (AIPM), and was elected a Life Fellow of AIPM in 1996. He was a member of the Core Working Group in the development of the Australian National Competency Standards for Project Management. He has published over 190 professional articles and papers. Alan can be contacted at alanailene@bigpond.com.au.